

Message Text

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ACTION NEA-12

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6265

C O N F I D E N T I A L NEW DELHI 9652

FOR SISCO FROM AMBASSADOR MOYNIHAN

E.O. 11652: GDS

TAGS: PEXP IN

SUBJ: TRADE AND INVESTMENT WITH INDIA

1. IN AN EFFORT TO DEVELOP A DIALOGUE WITH THE GOI ON ECONOMIC AND COMMERCIAL MATTERS, I RECENTLY SENT THE FOLLOWING AIDE MEMOIRE TO P.N. DHAR, PRIVATE SECRETARY TO THE PRIME MINISTER. (EARLIER AIDE MEMOIRE HAD DEALT WITH OUR AID RELATIONSHIP AND THE RUPEE SETTLEMENT QUESTION.) NO FORMAL REPLY HAS BEEN RECEIVED OR IS EXPECTED BUT ANY DISCUSSIONS ARISING FROM THIS APPROACH WILL BE REPORTED.

"AIDE MEMOIRE

"RECENT AIDE MEMOIRE FROM THIS EMBASSY HAVE DEALT WITH THE DISPOSITION OF UNITED STATES-OWNED RUPEES AND WITH THE NATURE OF A NEW ECONOMIC ASSISTANCE RELATIONSHIP BETWEEN THE UNITED STATES AND INDIA. THE FUTURE OF TRADE AND INVESTMENT RELATIONS BETWEEN INDIA AND THE UNITED STATES IS THE THIRD OF THESE INTER-RELATED SUBJECTS.

"THE UNITED STATES SHARES INDIA'S INTEREST IN THE EXPANSION
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OF INTERNATIONAL TRADE AND RECOGNIZES THE IMPORTANCE OF TRADE TO INDIAN ECONOMIC DEVELOPMENT. THERE IS A NEED FOR CONCERTED ACTION TO REDUCE REMAINING INTERNATIONAL TRADE BARRIERS, TARIFF AND NON-TARIFF, AND ESPECIALLY TO DEAL WITH ALL THE PROBLEMS RAISED BY THE

RECENT PROLIFERATION OF DISCRIMINATORY TRADING ARRANGEMENTS. IN THESE TASKS THE SPECIAL INTERESTS AND PROBLEMS OF THE DEVELOPING COUNTRIES REQUIRE SPECIAL CONSIDERATION.

"PRESIDENT NIXON'S TRADE PROPOSALS MEET THESE NEEDS. HIS MESSAGE STATED:

"A WIDE VARIETY OF BARRIERS TO TRADE STILL DISTORT THE WORLD'S ECONOMIC RELATIONS, HARMING OUR OWN INTERESTS AND THOSE OF OTHER COUNTRIES....FORTUNATELY, OUR MAJOR TRADING PARTNERS HAVE JOINED US IN A COMMITMENT TO BROAD, MULTI-LATERAL TRADE NEGOTIATIONS BEGINNING THIS FALL. THESE NEGOTIATIONS WILL PROVIDE A UNIQUE OPPORTUNITY FOR REDUCING TRADING BARRIERS AND EXPANDING WORLD TRADE.

ASTERICK ASTERICK ASTERICK

"...(A) SIGNIFICANT PROVISION OF MY PROPOSED BILL WOULD PERMIT THE UNITED STATES TO JOIN WITH OTHER DEVELOPED COUNTRIES, INCLUDING JAPAN AND THE MEMBERS OF THE EUROPEAN COMMUNITY, IN HELPING TO IMPROVE THE ACCESS OF POORER NATIONS TO THE MARKETS OF DEVELOPED COUNTRIES. UNDER THIS ARRANGEMENT, CERTAIN PRODUCTS OF DEVELOPING NATIONS WOULD BENEFIT FROM PREFERENTIAL TREATMENT FOR A TEN-YEAR PERIOD, CREATING NEW EXPORT OPPORTUNITIES FOR SUCH COUNTRIES, RAISING THEIR FOREIGN EXCHANGE EARNINGS, AND PERMITTING THEM TO FINANCE THOSE HIGHER LEVELS OF IMPORTS THAT ARE ESSENTIAL FOR MORE RAPID ECONOMIC GROWTH."

"TURNING TO THE BILATERAL TRADE RELATIONS, US TRADE BARRIERS TO INDIAN EXPORTS ARE EXTREMELY LOW. THE AVERAGE TARIFF ON ALL INDIAN EXPORTS TO THE UNITED STATES IS ONLY 2.8 PERCENT, AND MANY IMPORTS ENTER DUTY FREE. EVEN IF ONLY DUTIABLE IMPORTS ARE CONSIDERED, THE AVERAGE TARIFF ONLY RISES TO 10.3 PERCENT. NON TARIFF BARRIERS ARE MINIMAL.

"AS A RESULT OF THIS, AND INCREASED INDIAN EFFORTS, INDIA'S
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EXPORTS TO THE UNITED STATES HAVE SHOWN A STEADY, AND IN 1972 A SPECTACULAR, INCREASE. THE UNITED STATES IS INDIA'S LARGEST EXPORT MARKET AND IN 1972 INDIA REGISTERED A SUBSTANTIAL SURPLUS ON BILATERAL

TRADE ACCOUNT. WE WELCOME THIS INCREASE IN INDIAN EXPORTS AND HOPE THAT IT WILL CONTINUE. WE ARE PREPARED TO COOPERATE IN ANY WAY POSSIBLE.

" IN SHARP CONTRAST TO THIS INCREASE WE ARE CONCERNED THAT, THIS YEAR'S EXCEPTIONAL FOODGRAIN PURCHASES APART, INDIA'S PURCHASES FROM THE UNITED STATES HAVE LAGGED BEHIND THE WORLDWIDE EXPANSION IN UNITED STATES EXPORTS AND THE INCREASE IN INDIA'S EXPORTS TO THE UNITED STATES. THE GROWTH IN INDIAN EXPORTS TO THE UNITED STATES

HAS VASTLY EXCEEDED THE GROWTH IN UNITED STATES EXPORTS TO INDIA; OUR SHARE OF YOUR MARKET HAS BEEN FALLING. INDIA'S BARRIERS AGAINST US EXPORTS REMAIN FORMIDABLE AND OFTEN HAVE THE EFFECT OF MAKING THE UNITED STATES A RESIDUAL SUPPLIER.

"WE BELIEVE THE TIME IS AT HAND FOR IMAGINATIVE MEASURES TO STIMULATE TWO-WAY TRADE. THESE MEASURES SHOULD OF COURSE BE CONSISTENT WITH BOTH OUR COUNTRIES' OBLIGATIONS UNDER THE GATT, WHICH ARE, IN FACT, DESIGNED TO MAXIMIZE FREELY-CONDUCTED TRADE AMONG CONTRACTING PARTIES.

"WE BELIEVE THE TIME HAS COME FOR EACH COUNTRY TO END ANY SUGGESTION OF DISCRIMINATION AGAINST THE OTHER. FOR OUR PART, THE UNITED STATES IS PREPARED TO EXAMINE THE BARRIERS IT MAINTAINS AGAINST PRODUCTS OF PARTICULAR INTEREST TO INDIA WITH A VIEW TOWARD MITIGATING OR ELIMINATING THEM. WE RECOGNIZE THE CONTINUING INDIAN NEED FOR FAVORABLE EXPORT FINANCING TERMS AND WE INTEND TO SEE THAT INDIA ALWAYS RECEIVES TREATMENT SECOND TO NONE FROM THE EXPORT-IMPORT BANK. WE SHALL ALSO MAKE EVERY EFFORT TO HELP INDIA TAKE ADVANTAGE OF GENERALIZED TARIFF PREFERENCES WHEN ENACTED BY THE UNITED STATES CONGRESS. WE UNDERSTAND THAT INDIA IS CONCERNED ABOUT A FEW SPECIFIC ASPECTS OF OUR PROPOSAL. I WOULD BE HAPPY TO DISCUSS THESE AND ALL OTHER ASPECTS OF GENERALIZED PREFERENCES.

"WE BELIEVE THAT BOTH THE UNITED STATES AND INDIA SHOULD, IN ADDITION, PARTICIPATE ACTIVELY IN TRADE PROMOTIONAL ACTIVITIES IN EACH OTHER'S COUNTRY. THERE SHOULD BE MORE TRADE MISSIONS IN BOTH
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DIRECTIONS, AND THESE SHOULD ENJOY THE FULL SUPPORT AND COOPERATION OF OFFICIALS IN BOTH COUNTRIES.

"WE SEE A CLEAR LINKAGE BETWEEN INTERNATIONAL TRADE AND INVESTMENT. WE THINK IT UNFORTUNATE THAT INDIAN POLICIES AND PROCEDURES IN PROCESSING FOREIGN INVESTMENT APPLICATIONS HAVE OFTEN GIVEN THE IMPRESSION THAT LITTLE OR NO FOREIGN INVESTMENT IS DESIRED. YET FOREIGN INVESTMENT, IN COOPERATION WITH INDIAN PUBLIC AND PRIVATE INVESTORS, COULD DO MUCH TO STIMULATE INDIA'S INTERNATIONAL TRADE. WE SEEK A DIALOGUE AS HOW BEST TO WORK WITH INDIA IN ACHIEVING ITS INVESTMENT GOALS.

"WITH RESPECT TO MULTILATERAL TRADE RELATIONS, THE FORTHCOMING ROUND OF GATT TRADE NEGOTIATIONS IS OF PARAMOUNT IMPORTANCE FOR BOTH COUNTRIES. THERE WILL BE AMPLE OPPORTUNITY FOR BOTH GOVERNMENTS TO EXPRESS THEIR VIEWS ON THE GOALS AND PROCEDURES IN THESE NEGOTIATIONS DURING THE PREPARATORY MEETINGS. HOWEVER, WE WOULD WELCOME FULL AND FRANK BILATERAL EXCHANGES OF VIEWS ON ANY PARTICULAR PROBLEMS OF INTEREST TO INDIA. ON OUR SIDE WE HOPE THAT INDIA WILL GIVE FULL CONSIDERATION AS TO WHAT ITS CONTRIBUTION TO A SUCCESSFUL NEGOTIATION MIGHT INCLUDE.

"FINALLY, WE NOTE THAT SOME INDIANS HAVE EXPRESSED INTEREST
IN NEW BILATERAL TRADE INSTRUMENTS. WE ARE PREPARED TO EXPLORE WITH
AN OPEN MIND ANY INDIAN PROPOSALS THAT WOULD PROMOTE BOTH COUNTRIES
DESIRES FOR INCREASED TRADE AND INVESTMENT. WE SHOULD BE PARTICULAR-
LY INTERESTED IN DISCUSSING THE ESTABLISHMENT OF A JOINT ECONOMIC
COMMISSION WHICH MIGHT CARRY FORWARD THESE DISCUSSIONS AND
ACTIVITIES ON A PERMANENT BASIS.

"IF THE GOVERNMENT OF INDIA DESIRES, WE ARE PREPARED TO BEGIN
DISCUSSIONS ON THESE MATTERS AT AN EARLY DATE."
MOYNIHAN

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